Ezinqoleni Municipality
Annual Financial Statements
for the year ended 30 June 2014

# Ezinqoleni Municipality

Financial Statements for the year ended 30 June 2014

## General Information

| | |
|---|---|
| Legal form of entity | Municipality(MFMA) |
| Municipal demarcation code | KZN 215 |
| Executive mayor | Cllr M.A. Mpisi |
| Speaker | Cllr M.A. Mpisi |
| Chief whip | Cllr M.A. Mpisi |
| Councillors | Cllr M.P. Cele<br>Cllr T.M. Cele<br>Cllr S.A. Khawula<br>Cllr S.E. Khawula<br>Cllr H.P. Mbatha<br>Cllr P.H. Mthiyane<br>Cllr B.C. Mzobe<br>Cllr S.A. Ngcece<br>Cllr B.O. Ngcobo<br>Cllr B.D. Nyawose |
| Grading of local authority | Grade 5 |
| Accounting Officer | Mr M. N. Mabece |
| Chief Finance Officer (CFO) | Mr B. Cele |
| Registered office | Municipal Offices<br>N2 Main Harding Road<br>Opposite Izingolweni Taxi Rank<br>Izingolweni<br>4260 |
| Business address | N2 Main Harding Road<br>Nkulu Ward 6<br>Opposite Izingolweni Taxi Rank<br>Izingolweni<br>4260 |
| Postal address | P. O. Box 108<br>Izingolweni<br>4260 |
| Bankers | First National Bank<br>Port Shepstone |
| Auditors | Auditor General |

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## Municipal Manager's Certificate

I am responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003), and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note15 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

**Mr M.N. Mabece**
**Accounting Officer**

# Statement of Financial Position as at 30 June 2014

| Figures (in Rands) | Note(s) | 2014 | Restated 2013 |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 36 624 176 | 27 862 281 |
| Vat receivable | 6 | 2 663 544 | 2 296 740 |
| Receivables from exchange transactions | 5 | 169 159 | 690 904 |
| Receivables from non-exchange transactions | 4 | 1 368 776 | 344 743 |
| | | **40 825 655** | **31 194 668** |
| Non Current Assets | | | |
| Property, plant and equipment | 2 | 77 537 011 | 71 463 561 |
| Intangible assets | 3 | 131 520 | 120 275 |
| | | **77 668 531** | **71 583 836** |
| **Total Assets** | | **118 494 186** | **102 778 504** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 11 | 3 024 327 | 3 400 163 |
| Government grants and subsidies | 12 | 1 814 347 | 2 186 091 |
| Current portion of finance lease obligation | 10 | - | 26 938 |
| | | **4 838 674** | **5 613 192** |
| Non Current Liabilities | | | |
| Post employment medical liability | 9 | 1 040 000 | 1 031 000 |
| Employee benefit obligation | 8 | 457 000 | 434 000 |
| | | **1 497 000** | **1 465 000** |
| **Total Liabilities** | | **6 335 674** | **7 078 192** |
| **Net Assets** | | **112 158 512** | **95 700 312** |
| **Reserves** | | | |
| Accumulated surplus | | 112 158 512 | 95 700 312 |
| **Total Net Assets** | | **112 158 512** | **95 700 312** |

# Statement of Financial Performance

| Figures in Rand | Note(s) | 2014 | 2013 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Rental of facilities and equipment | | 5 825 | 4 774 |
| Other income | 14 | 324 910 | 328 517 |
| Interest | | 1 860 281 | 1 019 807 |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 13 | 2 637 701 | 768 519 |
| Donations received | | 71 952 | - |
| **Transfer revenue** | | | |
| Government grants and subsidies | 12 | 48 860 272 | 45 753 598 |
| Fines | | 200 | - |
| **Total Revenue** | | **53 761 141** | **47 875 215** |
| **Other income** | | | |
| Gain on fair valuing of assets | | - | 330 246 |
| Actuarial gain (loss) | | 319 000 | (160 000) |
| | | **319 000** | **170 246** |
| **Expenditure** | | | |
| Advertising | | 98 316 | 126 344 |
| Auditors' remuneration | | 1 088 697 | - |
| Bank charges | | 47 426 | 44 157 |
| Bursary | | 66 730 | 8 830 |
| Cleaning | | 157 700 | 191 141 |
| Councillors' remuneration | 15 | 3 010 296 | 2 813 602 |
| Depreciation, amortisation and impairments | 2, 3 | 9 268 823 | 11 415 701 |
| Electricity and water | | 247 170 | 182 720 |
| Employee costs | 16 | 11 544 430 | 10 200 792 |
| FMG Grant | | 1 401 803 | 1 466 095 |
| Grant expenditure | | 1 064 814 | 2 842 201 |
| Grant in Aid | | 462 396 | 298 920 |
| Indigent support | | - | 170 412 |
| Insurance | | 172 778 | 177 782 |
| Interest paid | | 837 | 14 910 |
| Lease rentals on operating lease | | 38 748 | 42 340 |
| Legal expenses | | - | 3 933 |
| Loss on disposal of fixed assets | | 332 454 | - |
| Other expenses | 18 | 3 015 651 | 2 300 477 |
| Postage | | 480 | 892 |
| Printing and stationery | | 109 340 | 97 609 |
| Protective and safety clothing | | 39 846 | 29 920 |
| Refreshments and year end function | | 45 344 | 80 720 |
| Rent | | 4 000 | 2 794 |
| Repairs and maintenance | | 731 765 | 359 973 |
| Security | | 249 078 | 269 257 |
| Seminars and workshops | | 682 707 | 200 351 |
| Special programmes | | 1 787 435 | 438 715 |
| Subscriptions | | 592 229 | 435 382 |
| Sundry expenses | 19 | 315 170 | 432 720 |
| Telephone and fax | | 443 857 | 440 213 |
| Training | | 104 953 | 413 150 |
| Transport costs | | 506 585 | 437 040 |
| Waste management | | 393 813 | 384 082 |
| **Total expenditure** | | **38 025 671** | **36 323 175** |
| **Surplus for the year** | | **16 054 470** | **11 722 286** |

## Statement of Comparison of Budget and Actual Amounts
Budget on Cash Basis

| Description | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference See Note 28 Reconcilation of Actual amounts |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | Note 28 |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Rental of Facilities | 21 000 | (13 000) | 8 000 | 5 825 | (2 175) | |
| Investment revenue | 933 000 | 272 000 | 1 205 000 | 1 860 281 | 655 281 | |
| Other own revenue | 391 000 | (77 000) | 314 000 | 324 910 | 10 910 | |
| **Total revenue from exchange transactions** | **1 345 000** | **182 000** | **1 527 000** | **2 191 016** | **664 016** | |
| **Revenue from non exchange transactions** | | | | | | |
| **Taxation** | | | | | | |
| Property rates | 874 000 | 2 011 000 | 2 885 000 | 2 637 701 | (247 299) | |
| **Transfer revenue** | | | | | | |
| Transfers recognised - operational | 33 654 000 | 150 000 | 33 804 000 | 33 613 990 | (190 010) | |
| Transfers recognised - capital | 13 474 000 | 1 575 000 | 15 049 000 | 15 318 435 | 269 435 | |
| **Total revenue from non exchange transactions** | **48 002 000** | **3 736 000** | **51 738 000** | **51 570 126** | **(167 874)** | |
| **Total Revenue** | **49 347 000** | **3 918 000** | **53 265 000** | **53 761 141** | **496 141** | |
| **Expenditure** | | | | | | |
| Employee costs | 12 544 000 | (351 000) | 12 193 000 | 11 544 430 | 648 570 | |
| Remuneration of councillors | 2 950 000 | 40 000 | 2 990 000 | 3 010 296 | (20 296) | |
| Debt impairment | - | - | - | - | - | |
| Depreciation and asset impairment | 3 678 000 | 5 387 000 | 9 065 000 | 9 268 823 | (203 823) | |
| Finance charges | 55 000 | - | 55 000 | 48 263 | 6 737 | |
| Contracted services | 632 000 | (30 000) | 602 000 | 393 813 | 208 187 | |
| Transfers and grants | 1 463 000 | (150 000) | 1 313 000 | 598 813 | 714 187 | |
| Other expenditure | 12 251 000 | 1 233 000 | 13 484 000 | 13 161 233 | 322 767 | |
| **Total Expenditure** | **33 573 000** | **(1 056 000)** | **39 702 000** | **38 025 671** | **1 676 329** | |
| **Surplus/(Deficit)** | **15 774 000** | **4 974 000** | **13 563 000** | **15 735 470** | **(1 180 188)** | |
| Transfers recognised - capital | - | - | - | - | - | |
| Contributions recognised - capital and contributed assets | - | - | - | - | - | |
| **Surplus/ (Deficit) after capital transfers & contributions** | **15 774 000** | **4 974 000** | **13 563 000** | **15 735 470** | **(1 180 188)** | |
| **Capital expenditure and funds sources** | | | | | | |
| Transfers recognised - capital | 13 474 000 | 1 575 000 | 15 049 000 | 13 886 710 | 1 162 290 | |
| Transfers recognised - capital (from Equitable Share) | - | - | - | - | - | |
| Public contributions and donations | - | - | - | - | - | |
| Borrowing | - | - | - | - | - | |
| Internally generated funds | 3 851 000 | (791 000) | 3 060 000 | 1 258 731 | 1 801 269 | |
| **Total sources of capital funds** | **17 325 000** | **784 000** | **18 109 000** | **15 145 441** | **2 963 559** | |

See note 28 for a Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements

# Statement of Changes in Net Assets

| Figures in Rand | Retained income | Total net assets |
|---|---|---|
| **Balance at 1 July 2012 (as previously reported)** | **84 481 039** | **84 481 039** |
| Changes in net assets | | |
| Surplus for the year | 11 722 286 | 11 722 286 |
| | 96 203 325 | 96 203 325 |
| Adjustments | | |
| Prior year adjustments (note 27) | (503 013) | (503 013) |
| **Balance at 01 July 2013 as restated** | **95 700 312** | **95 700 312** |
| Changes in net assets | | |
| Surplus for the year | 16 054 470 | 16 054 470 |
| Prior year adjustments (note 27) | 403 730 | 403 730 |
| Total changes | 16 458 200 | 16 458 200 |
| **Balance at 30 June 2014** | **112 158 512** | **112 158 512** |

Note(s)

# Statement Of Cash Flows

| Figures in Rand | Note(s) | 2014 | 2013 Restated |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 53 787 638 | 47 264 197 |
| Cash paid to suppliers and employees | | (31 880 747) | (26 827 187) |
| Cash generated from operations | 20 | 21 906 891 | 20 437 010 |
| Interest income | | 1 860 281 | 1 019 807 |
| Interest paid | | (835) | (14 910) |
| **Net cash from operating activities** | | **23 766 337** | **21 441 907** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 2 | (15 255 784) | (12 741 733) |
| Sale of property, plant and equipment | 2 | 332 455 | - |
| Purchase of intangible assets | 3 | (63 175) | - |
| **Net cash from investing activities** | | **(14 986 504)** | **(12 741 733)** |
| **Cash flows from financing activities** | | | |
| Movement in post employment medical liability | | 9 000 | (566 388) |
| Finance lease payments | | (26 938) | (30 479) |
| **Net cash from financing activities** | | **(17 938)** | **(596 867)** |
| **Total cash movement for the year** | | **8 761 895** | **8 103 307** |
| Cash at the beginning of the year | | 27 862 281 | 19 758 974 |
| **Total cash at end of the year** | 7 | **36 624 176** | **27 862 281** |

# Accounting Policies

### 1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. The figures in the statements have been rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied, to all the years presented are set out below.

The following standards and interpretations issued, but not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 105 Transfer of functions between entities under common control
- GRAP 106 Transfer of functions between entities not under common control
- GRAP 107 Mergers

None of these standards and interpretations are anticipated to have a material impact on the entity's financial statements.

### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

*Trade receivables*

The economic entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

*Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The economic entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments at end of the reporting period.The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

*Impairment testing*

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred for each group of assets.

*Provisions*

# Accounting Policies

### 1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions were raised and management determined an estimate based on the information available.

*Useful lives of property ,plant and equipment*

The economic entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

*Effective interest rate*

The economic entity used the prime interest rate to discount future cash flows.

### 1.2 Going concern assumption

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 1.3 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

| Item | Average useful life |
|---|---|
| Buildings | 30 years |
| Infrastructure - Roads | 10 years |
| Machinery and equipment | 5 years |
| Motor vehicles | 5 years |
| Furniture and office equipment | 5 years |
| Computer equipment | 5 years |

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

# Accounting Policies

### 1.5 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

*Recognition*

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

*Initial measurement*

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

*Subsequent measurement*

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

*Impairment*

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

*Transfers*

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

*Derecognition*

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.6 Intangible assets

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

### 1.6 Intangible assets (continued)

If the municipality is unable to make a reliable estimate of the useful life of an intangible assets, the life will be presumed to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|---|---|
| Computer software | 3 years |

### 1.7 Financial instruments

A financial asset is any asset that is a cash or contractual right to receive cash. The entity has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

- Accounts receivables (Trade debtors)
- Other receivables
- Bank balances and cash

In accordance with GRAP 104, all the financial assets of the entity are classified into the category Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The entity has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

- Creditors
- Short term loans

In accordance with GRAP 104, all the financial liabilities of the entity are classified into the category financial liabilities at amortised cost. Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. The financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

**Finance leases – lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability.The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

# Accounting Policies

### 1.8 Leases (continued)

**Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

### 1.9 Impairment of assets

The municipality assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests goodwill, with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

### 1.10 Employee benefits

**Short-term employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

**1.10 Employee benefits (continued)**

**Post employment benefits**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

**Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation

**Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

# Accounting Policies

**1.10 Employee benefits (continued)**

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

# Accounting Policies

**1.10 Employee benefits (continued)**

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

**1.11 Provisions**

Provisions are recognised when:

- the municipality has an obligation at the reporting period date as a result of a past event;
- it is probable that the municipality will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingencies are disclosed in notes 22 and 23. .

**1.12 Government grants**

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

**1.13 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

# Accounting Policies

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

*Measurement*

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

*Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*Rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

# Accounting Policies

### 1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

*Recognition*

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

*Measurement*

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### 1.16 Value Added Tax

The municipality accounts for value added tax on the payments basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No. 89 of 1991).

# Accounting Policies

### 1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year's figures.

### 1.19 Commitments

The amounts of capital commitments contracted for at the reporting date and which have not been recognised as liabilities are disclosed by way of a note.

### 1.20 Change in accounting policy,estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy. In such a case the municipality will restate the opening balances of the assets,liabilities and net assets for the earliest period for which retrospective application is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the change in estimates are disclosed in the notes to the annual financial statements where applicable

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulativeeffect of the error. In such a case the municipality will restate the opening balances of the assets, Liabilities and net assets for the earliest period for which retrospective restatement is practicable

### 1.21 Events after reporting dates

Events after the reporting date are classified as adjusting events are accounted for in the financial statements and events after the reporting dates that are classified as non-adjusting events are disclosed in the notes to the financial statements.

### 1.22 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 July 2013 to 30 June 2014.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

### 1.23 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

# Accounting Policies

### 1.24 Irregular expenditure

Irregular expenditure as defined in chapter 1 of the Municipal Finance Management Act (Act No 56 of 2003) in relation to a municipality or municipal entity -

- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, the requirement of this Act, and which has not been condoned in terms of section 170
- Expenditure incurred in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act (Act No.32 of 2000)
- Expenditure incurred in contravention of, or that is not in accordance with, a requirement of the Public Office Bearers Act (Act No. 20 of 1998)
- Expenditure incurred in contravention of, or that is not in accordance, a requirement of the Supply Chain Management Policy or any Municipal By-Laws giving effect to such policy, and which has not been condoned in terms of such policy or By-law, but excludes expenditure which falls within the definition of unauthorised expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Accounting Policies

### 1.27 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 2. Property, plant and equipment

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated depreciation** | **Carrying value** | **Cost / Valuation** | **Accumulated depreciation** | **Carrying value** |
| Buildings | 50 353 274 | (10 378 833) | 39 974 441 | 47 330 350 | (7 849 332) | 39 481 018 |
| Infrastructure - Roads | 62 585 775 | (27 681 360) | 34 904 415 | 52 326 995 | (22 690 599) | 29 636 396 |
| Machinery and equipment | 2 117 615 | (1 567 545) | 550 070 | 1 998 555 | (1 415 631) | 582 924 |
| Motor vehicles | 1 762 960 | (1 097 896) | 665 064 | 1 409 871 | (961 230) | 448 641 |
| Furniture and office equipment | 2 130 972 | (1 244 354) | 886 618 | 1 944 063 | (1 010 921) | 933 142 |
| Computer equipment | 1 213 348 | (656 945) | 556 403 | 906 842 | (525 402) | 381 440 |
| **Total** | **120 163 944** | **(42 626 933)** | **77 537 011** | **105 916 676** | **(34 453 115)** | **71 463 561** |

**Reconciliation of property, plant and equipment - 2014**

| | **Opening balance** | **Additions** | **Disposals** | **Depreciation** | **Total** |
|---|---|---|---|---|---|
| Buildings | 39 481 018 | 3 022 925 | - | (2 529 502) | 39 974 441 |
| Infrastructure - Roads | 29 636 396 | 11 235 242 | (332 455) | (5 634 768) | 34 904 415 |
| Machinery and equipment | 582 924 | 151 113 | - | (183 967) | 550 070 |
| Motor vehicles | 448 641 | 353 089 | - | (136 666) | 665 064 |
| Furniture and office equipment | 933 142 | 186 910 | - | (233 434) | 886 618 |
| Computer equipment | 381 440 | 306 505 | - | (131 542) | 556 403 |
| | **71 463 561** | **15 255 784** | **(332 455)** | **(8 849 879)** | **77 537 011** |

**Reconciliation of property, plant and equipment - 2013**

| | **Opening balance** | **Additions** | **Depreciation** | **Impairment loss** | **Total** |
|---|---|---|---|---|---|
| Buildings | 36 175 919 | 6 154 253 | (2 135 560) | (713 594) | 39 481 018 |
| Infrastructure - Roads | 31 394 136 | 6 042 045 | (5 690 981) | (2 108 804) | 29 636 396 |
| Machinery and equipment | 808 523 | 19 244 | (243 775) | (1 068) | 582 924 |
| Motor vehicles | 553 652 | 1 000 | (106 011) | - | 448 641 |
| Furniture and office equipment | 710 408 | 440 391 | (216 719) | (938) | 933 142 |
| Computer equipment | 420 901 | 84 800 | (124 261) | - | 381 440 |
| | **70 063 539** | **12 741 733** | **(8 517 307)** | **(2 824 404)** | **71 463 561** |

See Annexure B for more information.

No asset or any portion of any assets was provided to any person or institution as security.

Community halls to the value of R11.9 million have been included in the buildings disclosure above, the lease agreement for the use of the land on which the buildings are housed is pending final approval from the Ingonyama Trust Board.

## 3. Intangible assets

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated amortisation** | **Carrying value** | **Cost / Valuation** | **Accumulated amortisation** | **Carrying value** |
| Computer software | 587 191 | (455 671) | 131 520 | 524 016 | (403 741) | 120 275 |

**Reconciliation of intangible assets - 2014**

| | **Opening balance** | **Additions** | **Amortisation** | **Total** |
|---|---|---|---|---|
| Computer software | 120 275 | 63 175 | (51 930) | 131 520 |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 3. Intangible assets (continued)

**Reconciliation of intangible assets - 2013**

| | Opening balance | Amortisation | Total |
|---|---|---|---|
| Computer software | 180 350 | (60 075) | 120 275 |

See Annexure B for more information.

During the period under review the remaining useful lives of Intangible assets were reviewed and it was found that these assets would fully depreciate within the next 11 to 23 months after year end. It was determined that these assets will still be utilized for at least the next 24 months, as a result the remaining useful lives were adjusted with between 1 and 13 months. This revision has resulted in a reduction in the current year amortization of R30 411 and will reduce the amortization for the following two financial years with R60 823

### 4. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Rates | 2 060 915 | 528 467 |
| Less: Provision for bad debts | (692 139) | (183 724) |
| | **1 368 776** | **344 743** |

**Ageing**

| | | |
|---|---|---|
| Current (0 – 30 days) | 204 420 | 51 226 |
| 31 - 60 days | 192 170 | 47 017 |
| 61 - 90 days | 150 903 | 44 987 |
| 91 - 120 days | 129 145 | 17 789 |
| Greater than 120 days | 1 384 277 | 367 448 |
| | **2 060 915** | **528 467** |

### 5. Receivables from exchange transactions

| | | |
|---|---|---|
| Sundry debtors | 114 865 | 176 194 |
| Accrued income | 92 582 | 54 869 |
| Conditional grants overspent | - | 514 473 |
| | 207 447 | 745 536 |
| Provision for bad debts | (38 288) | (54 632) |
| | **169 159** | **690 904** |

### 6. Vat receivable

| | | |
|---|---|---|
| Vat | 2 663 544 | 2 296 740 |

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 1 000 | 1 000 |
| Bank balances | 29 109 530 | 24 123 622 |
| Short-term deposits | 7 513 646 | 3 737 659 |
| | **36 624 176** | **27 862 281** |

**Primary Account**
**First National Bank Account - Port Shepstone Branch**
**Account Number 62024943153 : Current account**

| | | |
|---|---|---|
| Bank statement balance at the beginning of the year | 24 123 622 | 8 938 467 |

| Figures in Rand | 2014 | 2013 |
|---|---|---|
| **7. Cash and cash equivalents (continued)** | | |
| Bank statement balance at the end of the year | 29 109 530 | 24 123 622 |
| Cashbook balance at the beginning of the year | 24 123 622 | 9 166 652 |
| Cashbook balance at the end of the year | 29 109 530 | 24 123 622 |
| **Call Investment Deposits** | | |
| Conditional Grant | 2 741 643 | 2 613 974 |
| Lottery Grant | 1 086 746 | 1 091 124 |
| MSIG Grant | - | 32 561 |
| Bank - Nedbank 1296000028 | 531 550 | - |
| Bank - Absa 9286080526 | 1 009 243 | - |
| Bank - Absa 9286080055 | 2 144 464 | - |
| | **7 513 646** | **3 737 659** |
| **Conditional Grant** | | |
| **First National Bank Account - Port Shepstone Branch** | | |
| **Account Number 62200828533 : Call Account** | | |
| Bank statement balance at the beginning of the year | 2 613 485 | 9 166 652 |
| Bank statement balance at the end of the year | 2 741 643 | 2 613 974 |
| Cashbook balance at the beginning of the year | 2 613 974 | 8 940 485 |
| Cashbook balance at the end of the year | 2 741 643 | 2 613 974 |
| **Lottery Grant** | | |
| **First National Bank Account - Port Shepstone Branch** | | |
| **Account Number 62200828955 : Call Account** | | |
| Bank statement balance at the beginning of the year | 1 061 068 | 1 061 068 |
| Bank statement balance at the end of the year | 1 086 746 | 1 091 124 |
| Cashbook balance at the beginning of the year | 1 061 068 | 1 061 068 |
| Cashbook balance at the end of the year | 1 086 746 | 1 091 124 |
| **MSIG Grant** | | |
| **First National Bank Account - Port Shepstone Branch** | | |
| **Account Number 62231035537 : Money Market** | | |
| Bank statement balance at the beginning of the year | 32 561 | 589 769 |
| Bank statement balance at the end of the year | - | 32 561 |
| Cashbook balance at the beginning of the year | 589 769 | 589 769 |
| Cashbook balance at the end of the year | - | 32 561 |
| **Grant** | | |
| **Nedbank Account - Port Shepstone Branch** | | |
| **Account Number 1296000028** | | |
| Bank statement balance at the end of the year | 531 550 | - |
| Cashbook balance at the end of the year | 531 550 | - |
| **Grant** | | |
| **Absa Bank Account - Port Shepstone Branch** | | |
| **Account Number 9286080526** | | |
| Bank statement balance at the end of the year | 1 009 243 | - |
| Cashbook balance at the end of the year | 1 009 243 | - |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

**7. Cash and cash equivalents (continued)**

| | | |
|---|---|---|
| **Grant** | | |
| **Absa Bank Account - Port Shepstone Branch** | | |
| **Account Number 9286080055** | | |
| Bank statement balance at the end of the year | 2 144 464 | - |
| Cashbook balance at the end of the year | 2 144 464 | - |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 8. Employee benefit obligation

| | | |
|---|---|---|
| **Long service awards** | | |
| Non-current liabilities | 457 000 | 434 000 |

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises of a certain number of additional vacation leave days. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2014 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2014 by One Pangaea Financial. The present value of the defined benefit obligation, and the related current service cost were measured using the Projected Unit Credit Method. No other long service benefits are provided by the Municipality.

The future cost for ensuing year is estimated to be R70 000 and the interest cost for the next year is estimated to be R31 000 (2013: R37000 and R18 000 respectively).

The principal actuarial assumptions used were as follows:

| | | |
|---|---|---|
| Discount rate per annum | 8.59 % | 7.25 % |
| Inflation rate | 6.36 % | 6.25 % |
| Salary increase rate | 7.36 % | 7.15 % |
| Normal retirement age | 63 | 63 |
| Proportion continuing membership at retirement | 95 % | 95 % |
| Proportion of retiring members who are married | 95 % | 95 % |
| Mortality during employment | SA 85-90 light | SA 85-90 light |
| Percentage of in-service members withdrawing before retirement: | | |
| Age 20 - 24 | 12.0 % | 12.0 % |
| Age 25 - 29 | 6.6 % | 6.6 % |
| Age 30 - 34 | 5.1 % | 5.1 % |
| Age 35 - 39 | 3.6 % | 3.6 % |
| Age 40 - 44 | 2.6 % | 2.6 % |
| Age 45 - 49 | 1.8 % | 1.8 % |
| Age 50 - 54 | 1.1 % | 1.1 % |
| Age 55 - 59 | 0.0 % | 0.0 % |
| Age 60 - | 0.0 % | 0.0 % |
| **Present value of the obligation** | **457 000** | **434 000** |

Movement in the defined benefit obligation is as follows:

| | | |
|---|---|---|
| Balance at beginning of the year | 434 000 | 219 000 |
| Current service cost | 70 000 | 37 000 |
| Interest cost | 31 000 | 18 000 |
| Actuarial (Gain) / Loss | (63 000) | 167 000 |
| Benefits payments by Municipality | (15 000) | (7 000) |
| | **457 000** | **434 000** |

The amounts recognised in the Statement of Financial Performance were as follows:

| | | |
|---|---|---|
| Current service cost | 70 000 | 37 000 |
| Interest cost | 31 000 | 18 000 |
| Expected return on assets | - | - |
| Actuarial (Gain) / Loss | (63 000) | 167 000 |
| | **38 000** | **222 000** |

| | | |
|---|---|---|
| **Disclosure in terms of par. 120A(p) of IAS 19** | | |
| Defined benefit obligation | 457 000 | 434 000 |

| Figures in Rand | 2014 | 2013 |
|---|---|---|
| Experience adjustments on plan liabilities | (29 000) | (20 000) |
| **Disclosure in terms of par. 120A(q) of IAS 19** | | |
| Expected benefits to be paid during the next financial year | 11 000 | 15 000 |
| | **11 000** | **15 000** |

| **Salary inflation sensitivity** | **1% decrease** | **Base (7.50%)** | **1% increase** |
|---|---|---|---|
| Defined benefit obligation | 414 000 | 457 000 | 505 000 |
| Service cost | 99 000 | 111 000 | 124 000 |

*Post retirement pension plan*

The municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The findings are extracts from the interim actuarial valuation at 31 March 2013 released 13 November 2013.

*Superannuation Fund*

The last valuation carried out on the Superannuation Fund as at 31 March 2013 reflected:

- The memorandum account in respect of pensioners was fully funded.
- The results show that the contributions from members and the local authorities at the valuation date are .83% less than the required contribution rate for future service.
- The valuation reveals that the total fund is 97.9 funded as the valuation date at the overall level.

*Retirement Fund*

The interim valuation carried out on the Retirement Fund as at 31 March 2013 reflected:

- The fund is 93.1% funded as at the valuation date at the overall level
- The latest statutory valuation of the Retirement Fund as at 31 March 2013 revealed that the fund was not in a sound financial position but with the surcharge being paid is expected to restore the Fund to a sound financial condition within the period permitted by the FSB.

*Provident Fund*

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2013 revealed that the fund was in a sound financial position.

### 9. Post Employment Medical Liability

| **Post retirement medical subsidy employee benefits** | | |
|---|---|---|
| Non-current liabilities | 1 040 000 | 1 031 000 |

The principal actuarial assumptions used were as follows:

| | | |
|---|---|---|
| Discount rate per annum (D) | 10.27 % | 8.25 % |
| Consumer price inflation (C) | 7.45 % | 6.00 % |
| Health care cost inflation (H) | 8.95 % | 6.75 % |
| Salary inflation (S) | 6.90 % | 6.90 % |
| Net discount rate ((1+D)/(1+H)-1) | 1.21 % | 1.14 % |
| Normal retirement age | 63 | 63 |
| Fully accrued age | 63 | 63 |
| Early retirement age | 55 | 55 |

| Figures in Rand | 2014 | 2013 |
|---|---|---|
| Employment age used for past service period | Actual service entry ages | Actual service entry ages |
| Age difference between spouses: | | |
| Active employees | 3 years | 3 years |
| Pensioners | Actual ages used | Actual ages used |
| Proportion married: | | |
| Active employees | Assumed proportion married | Assumed proportion married |
| Pensioners | Actual marital status used | Actual marital status used |
| Mortality: | | |
| Active employees | SA85-90 (Normal) | SA85-90 (Normal) |
| Pensioners | PA (90)-2 | PA (90)-2 |

The following proportion married assumption in the previous and current valuation periods:

| **Age** | **Males** | **Females** |
|---|---|---|
| 20 | 5 % | 5 % |
| 25 | 25 % | 25 % |
| 30 | 55 % | 55 % |
| 35 | 78 % | 78 % |
| 40 | 84 % | 84 % |
| 45 | 85 % | 85 % |
| 50 | 86 % | 86 % |
| 55 | 88 % | 88 % |
| 60+ | 92 % | 92 % |

Movement in the defined benefit obligation is as follows:

| | | |
|---|---|---|
| Balance at beginning of the year | 1 031 000 | 598 000 |
| Current service cost | 175 000 | - |
| Interest cost | 75 000 | - |
| Actuarial (Gain) / Loss | (241 000) | 433 000 |
| | **1 040 000** | **1 031 000** |

The amounts recognised in the Statement of Financial Performance were as follows:

| | | |
|---|---|---|
| Current service cost | 175 000 | - |
| Interest cost | 75 000 | - |
| Expected return on assets | - | - |
| Actuarial (Gain) / Loss | (241 000) | - |
| | **9 000** | **-** |

**Disclosure in terms of Paragraph 120A(P)&(Q) of IAS19 and GRAP 25**

Par. 120A(p) of IAS 19 requires the disclosure of the following amounts for the current annual period and previous four annual periods:

i. The present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and

ii. The experience adjustments arising on the plan liabilities and plan assets.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

| **Par. 120A(p)** | **30 June 2012** | **30 June 2013** | **30 June 2014** |
|---|---|---|---|
| Defined benefit obligation | 598 000 | 1 031 000 | 1 040 000 |
| Experience adjustments on plan liabilities | - | 273 000 | 3 000 |

Par. 120A(q) of IAS 19 requires the disclosure of the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid during the annual period beginning after the reporting period.

The figure in the table below should be based on the pensioner contributions as at 30 June 2014, as provided by the employer, for the next financial year, increased with expected healthcare cost inflation from 1 January 2015. Since Ezinqoleni Municipality is yet to subsidise pensioners, the benefits/contributions expected over the following year are RNil.

| **Par. 120A(q)** | **30 June 2014** |
|---|---|
| Employer contributions to be paid during the next financial year | - |

*Sensitivity Analysis*

*Health care cost inflation*

The valuation basis assumes that the health care cost inflation rate (which manifests itself as the annual increase to the total contribution subsidised by the employer) will be 0.47% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

| **Health care cost inflation** | **1% decrease** | **Valuation basis** | **1% increase** |
|---|---|---|---|
| Employer's accrued liability | 810 000 | 1 040 000 | 1 351 000 |
| Employer's service cost | 126 000 | 167 000 | 223 000 |
| Employer's interest cost | 83 000 | 107 000 | 139 000 |

The table below shows the impact of a change in the mortality assumption from PA(90) with a two year adjustment to PA(90) with a three year adjustment.

| **Mortality** | **Valuation basis PA (90) -2** | **PA (90) -3*** |
|---|---|---|
| Employer's accrued liability | 1 040 000 | 1 074 000 |
| Employer's service cost | 167 000 | 172 000 |
| Employer's interest cost | 107 000 | 110 000 |

*PA(90)-3 (PA(90) with a three-year age adjustment) means that, to each beneficiary we assigned a mortality rate of an individual three years younger than that beneficiary, ie lighter mortality implying that the individual lives longer than expected in the valuation basis.

Therefore, the above change in the mortality assumption would result in a 3.3% increase in the accrued liability.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 10. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | - | 27 775 |
| | - | 27 775 |
| less: future finance charges | - | (837) |
| **Present value of minimum lease payments** | **-** | **26 938** |
| **Present value of minimum lease payments due** | | |
| - within one year | - | 26 938 |

2013

The finance lease liability is secured against vehicles with a cost price of R799 734. The leases bear interest at rates varying between prime less 1% to 18.50% per annum and are repayable over periods between 16 months and 39 months.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

### 11. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 382 103 | 432 175 |
| Retentions | 1 852 303 | 2 299 015 |
| Accrued leave pay | 414 066 | 343 924 |
| Accrual for staff bonus | 375 855 | 325 049 |
| | **3 024 327** | **3 400 163** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 12. Government grants and subsidies

| | | |
|---|---|---|
| Equitable Share | 29 480 000 | 26 036 000 |
| Municipal Systems Improvement Grant (MSIG) | 678 578 | 1 238 807 |
| Municipal Infrastructure Grant | 12 881 628 | 14 547 552 |
| Financial Management Grant | 1 633 770 | 1 644 102 |
| Provincialisation of libraries | 412 581 | 237 215 |
| Library Grant - Cyber Cadet | 7 225 | 95 634 |
| Small Town Rehabilitation Grant | 431 777 | 8 946 |
| LED Strategy Grant | - | - |
| Integrated National Electrification Programme | - | 1 716 305 |
| National Lottery Grant | 336 808 | - |
| Infrastructure Grant | 2 100 000 | - |
| Integrated Development Plan Grant | 950 | 229 037 |
| Maintenance Grant | 66 175 | - |
| Expanded Public Works Programme | 830 780 | - |
| | **48 860 272** | **45 753 598** |

**Equitable Share**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 29 480 000 | 26 036 000 |
| Conditions met – transferred to revenue | (29 480 000) | (26 036 000) |
| | **-** | **-** |

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

**Municipal Systems Improvement Grant (MSIG)**

| | | |
|---|---|---|
| Balance unspent at beginning of year | (164 416) | 274 391 |
| Current year receipts | 890 000 | 800 000 |
| Conditions met – transferred to revenue | (678 578) | (1 238 807) |
| Amounts overspent transferred to current assets (See note 5) | - | 164 416 |
| Conditions still to be met - transferred to liabilities | **47 006** | **-** |

This grant is used for the improvement of systems. No funds were withheld.

**Municipal Infrastructure Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | (350 057) | 701 496 |
| Current year receipts | 13 474 000 | 13 496 000 |
| Conditions met – transferred to revenue | (12 881 628) | (14 547 553) |
| Amounts overspent transferred to current assets ((See note 5) | - | 350 057 |
| Conditions still to be met - transferred to liabilities | **242 315** | **-** |

This grant was used for infrastructure programmes. No funds were withheld.

**Financial Management Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 6 580 | 150 682 |
| Current year receipts | 1 650 000 | 1 500 000 |
| Conditions met – transferred to revenue | (1 633 770) | (1 644 102) |
| Conditions still to be met - transferred to liabilities | **22 810** | **6 580** |

This grant was used for financial management including improving the finance management system, purchasing computers for finance staff and capacity building for finance, for example the employment of interns. No funds were withheld.

**Provincialisation of Libraries Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 4 533 | (3 251) |
| Current year receipts | 514 000 | 245 000 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|
| Current year receipts | 514 000 | 245 000 |
| Conditions met – transferred to revenue | (412 581) | (237 216) |
| Conditions still to be met - transferred to liabilities | **105 952** | **4 533** |

**Library Grant - Cyber Cadet**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 77 666 | 72 500 |
| Current year receipts | 120 000 | 100 800 |
| Conditions met – transferred to revenue | (7 225) | (95 634) |
| Conditions still to be met - transferred to liabilities | **190 441** | **77 666** |

This grant was used for the operational staff for the library such as the Cyber Cadet.

**Small Town Rehabilitation Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 440 882 | 449 828 |
| Current year receipts | - | - |
| Funds returned | (431 777) | - |
| Conditions met – transferred to revenue | - | (8 946) |
| Conditions still to be met - transferred to liabilities | **9 105** | **440 882** |

This grant was used to rehabilitate the town including the construction of a trade centre, a community park, landscaping and the installation of street lights. No funds were withheld.

**LED Strategy Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 104 722 | 104 722 |
| Current year receipts | - | - |
| Conditions met – transferred to revenue | - | - |
| Conditions still to be met - transferred to liabilities | **104 722** | **104 722** |

This grant was used to review Local Economic Development Strategy and align it with the district strategy. No funds were withheld.

**Integrated National Electrification Programme**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 1 716 305 |
| Current year receipts | - | - |
| Conditions met – transferred to revenue | - | (1 716 305) |
| Conditions still to be met - transferred to liabilities | **-** | **-** |

This grant was used to connect electricity to households with no connections. No funds were withheld.

**National Lottery Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 1 025 745 | 1 025 745 |
| Current year receipts | - | - |
| Conditions met – transferred to revenue | (336 808) | - |
| **Conditions still to be met - transferred to liabilities** | **688 937** | **1 025 745** |

**Infrastructure Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 525 000 | - |
| Current year receipts | 1 575 000 | 525 000 |
| Conditions met – transferred to revenue | (2 100 000) | - |
| **Conditions still to be met - transferred to liabilities** | **-** | **525 000** |

This grant was used for the construction of sportsfield. No funds were withheld

**Integrated Development Plan Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 963 | - |

| Figures in Rand | 2014 | 2013 |
|---|---|---|
| Current year receipts | - | 230 000 |
| Conditions met – transferred to revenue | (950) | (229 037) |
| **Conditions still to be met - transferred to liabilities** | **13** | **963** |

This grant was used to community participation in Integrated Development Plan. No funds were withheld

**Maintenance Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 300 000 | - |
| Conditions met – transferred to revenue | (66 175) | - |
| **Conditions still to be met - transferred to liabilities** | **233 825** | **-** |

This grant from the Department of Sport and Recreation was used for maintenance. No funds were withheld

**Expanded Public Works Programme**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1 000 000 | - |
| Conditions met – transferred to revenue | (830 780) | - |
| **Conditions still to be met - transferred to liabilities** | **169 220** | **-** |

This grant is from the Department of Public Works is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure. No funds were withheld

**Summary of unspent conditional grants and receipts**

| | | |
|---|---|---|
| Municipal Systems Improvement Grant (MSIG) | 47 006 | - |
| Municipal Infrastructure Grant | 242 316 | - |
| Financial Management Grant | 22 810 | 6 580 |
| Provincialisation of Libraries Grant | 105 952 | 4 532 |
| Library Grant - Cyber Cadet | 190 441 | 77 666 |
| Small Town Rehabilitation Grant | 9 105 | 440 883 |
| LED Strategy Grant | 104 722 | 104 722 |
| National Lottery Grant | 688 937 | 1 025 745 |
| Infrastructure Grant | - | 525 000 |
| Integrated Development Plan Grant | 13 | 963 |
| Maintenance Grant | 233 825 | - |
| Expanded Public Works Programme | 169 220 | - |
| | **1 814 347** | **2 186 091** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 13. Property rates

| | | |
|---|---|---|
| **Actual** | | |
| Agriculture properties used for agricultural purposes | 275 598 | 253 989 |
| Agricultural properties used for other business and commercial purposes | 845 053 | 150 846 |
| Agricultural smallholding | 47 684 | - |
| Communal land | 47 528 | - |
| Communal property association | 12 527 | - |
| Industrial properties | - | 248 933 |
| Public service infrastructure | 12 055 | 50 |
| Institution | - | 114 701 |
| Residential smallholding | 275 366 | - |
| Rural business and commercial | 451 087 | - |
| State owned | 368 970 | - |
| Tourism and hospitality - rural | 301 833 | - |
| | **2 637 701** | **768 519** |
| **Property Valuations** | | |
| Agriculture properties used for agricultural purposes | 322 900 000 | 322 900 000 |
| Agricultural properties used for other business and commercial purposes | 49 300 000 | 49 300 000 |
| Agricultural smallholding | 22 220 000 | 22 220 000 |
| Communal land | 55 329 000 | 55 329 000 |
| Communal property association | 14 583 000 | 14 583 000 |
| Municipal property | 11 000 | 11 000 |
| Place of worship | 3 110 000 | 3 110 000 |
| Public service infrastructure | 8 025 000 | 8 025 000 |
| Residential smallholding | 16 498 000 | 16 498 000 |
| Rural business and commercial | 26 300 000 | 26 300 000 |
| State owned | 101 477 000 | 101 477 000 |
| Tourism and hospitality - rural | 17 574 000 | 17 574 000 |
| | **637 327 000** | **637 327 000** |
| **Non rateable** | | |
| Non rateable | - | - |

| | | |
|---|---|---|
| **Last general valuation** | | |
| The last general valuation came into effect on: | 01/07/2012 | 01/07/2011 |

Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2008.

Interim valuations are processed on an annual basis to take into account changes in individual values due to consolidations and subdivisions

| **Assessment rates: Randages on market valuation as follows:** | | |
|---|---|---|
| Residential | 0.017175 | N/A |
| Residential smallholding | 0.017175 | N/A |
| Industrial / Commercial | 0.017175 | 0.016203 |
| Mining | 0.017175 | 0.016203 |
| Agricultural - Bona fide use | 0.000859 | 0.000810 |
| Agricultural - Commercial only | 0.017175 | 0.016203 |
| Agricultural - Mixed use | 0.002146 | 0.002025 |
| Special purpose | 0.004293 | 0.004050 |
| Institutional | 0.004293 | 0.004050 |
| Public Service Infrastructure | 0.002146 | 0.002025 |
| Communal land | 0.000859 | N/A |
| Rural business and commercial | 0.017175 | N/A |
| Tourism and hospitality - rural | 0.017175 | N/A |
| Vacant land | 0.000859 | N/A |

| Figures in Rand | 2014 | 2013 |
|---|---|---|
| Interest is levied on outstanding rates per annum at: | 18 % | 18 % |

### 14. Sundry income

| | | |
|---|---|---|
| **Included in other income is the following:** | | |
| Sale of tender documents | 55 350 | 15 263 |
| SCP Refund Department of Transport | 234 200 | 253 680 |
| Photocopies | 699 | 5 144 |
| LG SETA | 29 451 | 51 864 |
| Other Income | 5 210 | 2 566 |
| | **324 910** | **328 517** |

### 15. Remuneration of councillors

| | | |
|---|---|---|
| Mayor | 661 901 | 628 652 |
| Councillors | 2 348 395 | 2 184 950 |
| | **3 010 296** | **2 813 602** |

| | **Mayor** | **Councillors** | **Total** |
|---|---|---|---|
| Basic Salary | 393 413 | 1 439 711 | 1 833 124 |
| Car allowances | 153 624 | 513 112 | 666 736 |
| Backpay | 20 812 | 123 777 | 144 589 |
| Other benefits | 22 404 | 160 690 | 183 094 |
| Company contributions | 71 648 | 111 105 | 182 753 |
| | **661 901** | **2 348 395** | **3 010 296** |

In-kind Benefits

The Mayor is full-time and has an office and PA at the cost of the council.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 16. Employee related costs

| | | |
|---|---|---|
| Employee related costs - salaries and wages | 7 874 281 | 6 882 940 |
| Contributions to UIF, medical and pension benefits | 1 606 950 | 1 139 523 |
| Travel, motor car, accommodation, subsistence and other allowances | 762 600 | 886 240 |
| Housing benefits and allowances | 408 452 | 364 728 |
| Leave | 70 142 | 29 370 |
| Bonuses | 375 855 | 323 504 |
| Backpay | 95 150 | 86 487 |
| Contributions to long service award | 106 000 | 55 000 |
| Post employment medical liability | 245 000 | 433 000 |
| | **11 544 430** | **10 200 792** |

**Remuneration of the Municipal Manager**

| | | |
|---|---|---|
| Annual remuneration | 549 232 | 513 599 |
| Car allowance | 129 600 | 129 600 |
| Housing allowance | 103 200 | 103 200 |
| Backpay | 20 500 | 14 916 |
| Other benefits | 34 845 | 47 586 |
| | **837 377** | **808 901** |

**Remuneration of the Chief Finance Officer**

| | | |
|---|---|---|
| Annual remuneration | 462 476 | 409 200 |
| Car allowance | 108 000 | 108 000 |
| Housing allowance | 84 000 | 84 000 |
| Backpay | 17 673 | 8 747 |
| Other benefits | 13 135 | 64 518 |
| | **685 284** | **674 465** |

**Director: Technical Services**

| | | |
|---|---|---|
| Annual remuneration | 474 622 | 472 333 |
| Car allowance | 90 000 | 69 000 |
| Housing allowance | 114 000 | 84 000 |
| Backpay | 17 673 | 8 747 |
| Other benefits | 10 800 | 18 890 |
| | **707 095** | **652 970** |

**Director: Corporate Services**

| | | |
|---|---|---|
| Annual remuneration | 408 791 | 378 868 |
| Car allowance | 180 000 | 165 000 |
| Housing allowance | 90 000 | 75 000 |
| Backpay | 17 673 | 8 747 |
| Other benefits | 10 800 | 33 793 |
| | **707 264** | **661 408** |

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 17. Operating lease

The future minimum lease payments payable under operating leases for the actual liability are as follows:

| | | |
|---|---|---|
| No later than one year | - | 19 093 |

Operating lease payments payable relate to the hiring of office equipment and cellphones.

Ezinqoleni Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, in terms of Directive 4 issued in March 2009, with respect to the measurement of leases as set out in paragraphs 55 to 60.

### 18. Other expenses

| | | |
|---|---|---|
| Promotions | 87 835 | 53 567 |
| Arts and culture | 38 612 | 65 628 |
| Sport and recreation | 269 123 | 283 593 |
| Free Basic Sevices - Electricity | 87 564 | 128 741 |
| Free Basic Services - Paraffin | 448 249 | 212 435 |
| Local Economic Development | 602 142 | 539 672 |
| Tourism | 63 000 | 58 240 |
| Public Participation | 319 025 | 158 672 |
| Water Connection For The Elderly | - | 40 630 |
| Gravelling of Access Road | 936 018 | 723 053 |
| Disaster Management | 40 227 | 32 246 |
| Employee Assistance Programme | - | 4 000 |
| Team Building | 123 856 | - |
| | **3 015 651** | **2 300 477** |

### 19. Sundry expenses

| | | |
|---|---|---|
| Medical examination | 3 649 | 1 333 |
| Sports field | 12 165 | 73 020 |
| Vat recovery fees | 188 970 | 296 751 |
| Awareness campaign | 110 286 | - |
| Sundry expense | 100 | - |
| Farm workers | - | 8 900 |
| Audit Committee remuneration | - | 52 716 |
| | **315 170** | **432 720** |

### 20. Cash generated from operations

| | | |
|---|---|---|
| Profit before taxation | 16 054 470 | 11 722 286 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 8 776 752 | 11 339 707 |
| Interest received | (1 860 281) | (1 019 807) |
| Interest paid | 837 | 14 910 |
| Impairment loss | 492 071 | 75 994 |
| Movements in post employment benefits | - | 1 298 784 |
| Movements in retirement benefit assets and liabilities | 23 000 | (217 000) |
| Movements in unspent conditional grants and receipts | (371 744) | (2 306 325) |
| **Changes in working capital:** | | |
| Vat receivable | (858 875) | (746 117) |
| Receivables from non exchange transactions | (495 248) | (44 630) |
| Other debtors | 521 745 | (566 388) |
| Payables from exchange transactions | (375 836) | 885 596 |
| | **21 906 891** | **20 437 010** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 21. Capital commitments

Commitments in respect of capital expenditure:

| | | |
|---|---|---|
| **Approved and contracted for** | | |
| Infrastructure | 2 068 774 | 3 015 627 |
| Community | 2 919 479 | 443 437 |
| | 4 988 253 | 3 459 064 |
| **Approved but not yet contracted for** | | |
| Infrastructure | 11 100 000 | 14 909 000 |
| Community | 10 661 000 | - |
| | 21 761 000 | 14 909 000 |
| **Total** | **26 749 253** | **18 368 064** |
| **This expenditure will be financed as follows:** | | |
| Grants | 26 749 253 | 18 368 064 |

### 22. Contingent assets

No contingent assets were identified for the year ended 30 June 2014 nor for the year ended 30 June 2013.

### 23. Contingent liabilities

2014

There are no contingent liabilities for the year ended 30 June 2014.

2013

There is an impending discussion between SALGA and the municipalities to finalise the issue of wage curve and the liability is uncertain at this stage.

The job evaluation is not yet completed to quantify the amount that could probably be owed by the municipality to its employees.

### 24. In-kind donations and assistance

The municipality did not receive any In-kind donations and assistance during the year under review.

### 25. Related parties

**Relationships**

| | |
|---|---|
| Mr Paul Preston | Chairman of the Audit Committee |

**Related party transactions**

| | | |
|---|---|---|
| **Services from related parties** | | |
| Legal fees | - | 3 933 |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 26. Additional disclosure in terms of the Municipal Finance Management Act

| | | |
|---|---|---|
| **PAYE and UIF** | | |
| Opening balance | - | - |
| Current year payroll deductions and municipality's contributions | 2 286 389 | 2 103 356 |
| Amount paid - current year | (2 286 389) | (2 103 356) |
| **Balance unpaid (included in creditors)** | **-** | **-** |
| **Pension fund and medical aid deductions** | | |
| Opening balance | - | - |
| Current year deductions | 2 166 346 | 1 952 028 |
| Amount paid - current year | (2 166 346) | (1 952 028) |
| **Balance unpaid (included in creditors)** | **-** | **-** |
| **Audit fees** | | |
| Opening balance | 27 939 | (72 135) |
| Current year's audit fee | 612 394 | 612 394 |
| Amount paid - current year | (512 320) | (512 320) |
| **Balance unpaid (included in creditors)** | **128 013** | **27 939** |
| **Contributions** | | |
| Opening balance | - | - |
| Council subscriptions | 112 272 | 114 774 |
| Amount paid - current year | (112 272) | (114 774) |
| | **-** | **-** |
| **Vat** | | |
| Vat received for the year | 1 901 134 | 2 587 917 |
| Vat paid for the year | - | - |

All Vat returns have been submitted by the due date during the reporting period.

**Councillors' arrear consumer accounts**
No councillors had arrear accounts outstanding.

**Material Losses**
No material losses were incurred.

### 27. Prior year adjustments

During the year the municipality prepared its fixed asset register in compliance with GRAP. Pursuant to that exercise, the municipality identified certain assets that were not in the asset register. Corrections were also made to the backlog depreciation.

| | | |
|---|---|---|
| **Arising from** | | |
| Correcting period of accounting | 403 730 | - |
| Newly identified assets | - | 330 246 |
| Correction of backlog depreciation | - | (833 259) |
| | **403 730** | **(503 013)** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 28. Comparison of Budget and Actual Amounts

The budget on was prepared on the accrual basis and covers the period 1 July 2013 to 30 June 2014.

| Revenue | Reason for difference | | Budget outcome | Actual outcome | Difference |
|---|---|---|---|---|---|
| Rental of facilities and equipment | | | 8 000 | 5 825 | 2 175 |
| Other income | Accrued income | | 314 000 | 324 910 | (10 910) |
| Interest | | | 1 205 000 | 1 860 281 | (655 281) |
| Property rates | Overbudgeted, no history to examine trends for budgeting | | 2 885 000 | 2 637 701 | 247 299 |
| Donations received | | - | - | 71 952 | (71 952) |
| Government grants and subsidies | Department late in transferring monies | | 51 552 688 | 48 860 272 | 2 692 416 |
| Fines | | - | - | 200 | (200) |
| | | | **55 964 688** | **53 761 141** | **2 203 547** |

| Expenditure | Reason for difference | Budget outcome | Actual outcome | Difference |
|---|---|---|---|---|
| Employee costs | Overprovied for leave, post medical aid benefit and long service awards provisions | 12 193 000 | 11 544 430 | 648 570 |
| Remuneration of councillors | | 2 990 000 | 3 010 296 | (20 296) |
| Depreciation and asset impairment | Depreciation and backlog depreciation was determined by FAR consultants after year's budget was prepared | 9 065 000 | 9 268 823 | (203 823) |
| Finance charges | | 6 737 | 837 | 5 900 |
| Contracted services | Provided for accrued expenditure | 602 000 | 393 813 | 208 187 |
| Transfers and grants | | 58 240 | - | 58 240 |
| Other expenditure | Provided for accrued expenditure | 13 484 000 | 13 807 472 | (323 472) |
| | | **38 398 977** | **38 025 671** | **373 306** |

### 29. Comparative figures

Certain comparative figures have been restated in order to present more meaningful and appropriate comparisons.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

**30. Risk management**

*Financial risk management*

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Chief Financial Officer monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

*Liquidity risk*

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

*Credit risk*

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, shortterm investment deposits and bank and cash balances

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality.

Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.
- The requirement of a deposit for new service connections, serving as guarantee
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

| | | |
|---|---|---|
| **Financial instrument** | | |
| Cash and cash equivalents | 36 624 176 | 27 862 281 |
| Consumer debtors | 1 368 776 | 344 743 |
| Other debtors | 169 159 | 690 904 |
| | **38 162 111** | **28 897 928** |

*Market risk*

*Interest rate risk*

Interest Rate Risk is defined as the risk that the fair value or future cashflows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial Assets and Liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, and loan payables. The municipality is not exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rates.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort," handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable

### 31. Unauthorised expenditure

| **Reconciliation of unauthorised expenditure:** | | |
|---|---|---|
| Opening balance | - | 3 137 051 |
| Remuneration of councillors | 20 296 | 7 602 |
| Depreciation, amortisation and impairment | 203 823 | 7 932 711 |
| Over expenditure on grant income | - | 514 476 |
| Approved / condoned by council | - | (11 591 840) |
| | **224 119** | **-** |

2014

2013

The unauthorised expenditure relate to expenditure incurred that was not budgeted for, and overspending of certain conditional grants. The depreciation relates to newly identified assets in the fixed register upon which backlog depreciation was calculated.

### 32. Fruitless and wasteful expenditure

No fruitless or wasteful expenditure was incurred during the year under review (2013: Nil).

### 33. Irregular expenditure

To the best of management's knowledge instances of note indicating that irregular expenditure was incurred during the year under review were not revealed.

| **Reconciliation of irregular expenditure** | | |
|---|---|---|
| Opening balance | 31 294 | - |
| Irregular expenditure for the current year | - | 31 294 |
| | **31 294** | **31 294** |

| **Section 36 Deviations** | | |
|---|---|---|
| Opening balance | - | - |

2014

No Irregular expenditure was incurred during the year.

2013

The irregular expenditure comprises of R31 294 in respect of amounts where 3 quotations were not obtained.

### 34. Events after the reporting period

The annual financial statements, which were reviewed by its Audit Committee, were authorised for issue by management on 25 August 2014.

No significant events or events having financial implications were identified after the reporting date that requires disclosure in the financial statements for the year ended 30 June 2014.

# Appendix A: Schedule Of External Loans

| Description | Loan Number | Interest Rate | Date Repayable/ Repaid | Balance at 30/06/2013 | Received during the year | Redeemed or written off during this period | Balance at 30/06/2014 |
|---|---|---|---|---|---|---|---|
| **Lease Liability** | | | | | | | |
| | | -% | | - | - | - | - |
| | | | | **-** | **-** | **-** | **-** |

# Appendix B: Analysis of Property, plant and equipment

| Description | Cost / Revaluation | | | | | Accumulated depreciation | | | | | Carrying Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Additions | Transfers | Disposals | Closing Balance | Opening Balance | Depreciation | Impairment | Disposals | Closing Balance | |
| **Land** | | | | | | | | | | | |
| Developed land | - | - | - | - | - | - | - | - | - | - | - |
| **Buildings** | | | | | | | | | | | |
| Buildings | 47 195 321 | 13 994 | - | - | 47 209 315 | (7 849 332) | (2 529 501) | - | - | (10 378 833) | 36 830 482 |
| Assets under construction - Buildings | 135 028 | - | 3 008 931 | - | 3 143 959 | - | - | - | - | - | 3 143 959 |
| | **47 330 349** | **13 994** | **3 008 931** | **-** | **50 353 274** | **(7 849 332)** | **(2 529 501)** | **-** | **-** | **(10 378 833)** | **39 974 441** |
| **Infrastructure** | - | - | - | - | - | - | - | - | - | - | - |
| Infrastructure - Roads | 49 870 988 | - | 8 798 046 | (976 462) | 57 692 573 | (22 690 600) | (5 634 768) | - | 644 008 | (27 681 360) | 30 011 212 |
| Assets under construction - Roads | 2 456 006 | - | 2 437 196 | - | 4 893 202 | - | - | - | - | - | 4 893 202 |
| | **52 326 995** | **-** | **11 235 242** | **(976 462)** | **62 585 775** | **(22 690 600)** | **(5 634 768)** | **-** | **644 008** | **(27 681 360)** | **34 904 415** |
| | - | - | - | - | - | - | - | - | - | - | - |
| **Other assets** | | | | | | | | | | | |
| Machinery and equipment | 1 966 503 | 1 402 | 149 711 | - | 2 117 616 | (1 383 579) | (183 967) | - | - | (1 567 546) | 550 070 |
| Motor vehicles | 1 409 871 | 353 089 | - | - | 1 762 960 | (961 230) | (136 666) | - | - | (1 097 896) | 665 064 |
| Furniture and equipment | 1 944 063 | 186 910 | - | - | 2 130 972 | (1 010 921) | (233 433) | - | - | (1 244 354) | 886 618 |
| Computer equipment | 906 842 | 244 194 | 62 312 | - | 1 213 348 | (525 404) | (131 542) | - | - | (656 946) | 556 403 |
| | **6 227 279** | **785 595** | **212 023** | **-** | **7 224 896** | **(3 881 133)** | **(685 608)** | **-** | **-** | **(4 566 741)** | **2 658 155** |
| | **105 884 622** | **799 589** | **14 456 196** | **(976 462)** | **120 163 945** | **(34 421 065)** | **(8 849 877)** | **-** | **644 008** | **(42 626 934)** | **77 537 011** |
| **Intangible assets** | | | | | | | | | | | |
| Software | 524 016 | 63 174 | - | - | 587 190 | (403 741) | (51 929) | - | - | (455 670) | 131 520 |
| **Total assets** | **106 408 638** | **862 763** | **14 456 196** | **(976 462)** | **120 751 135** | **(34 824 806)** | **(8 901 807)** | **-** | **644 008** | **(43 082 605)** | **77 668 530** |

# Appendix B: Analysis of Property, plant and equipment

| 30 June 2013 | Cost / Revaluation | | | | | | Accumulated depreciation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Description | Opening Balance | Prior year adjustment | Additions | Newly identified assets at fair value | Transfers | Closing Balance | Opening Balance | Depreciation | Impairment | Disposals | Closing Balance | Carrying Value |
| **Land** | | | | | | | | | | | | |
| Developed land | - | - | - | - | - | - | - | - | - | - | - | - |
| **Buildings** | | | | | | | | | | | | |
| Buildings | 31 618 166 | | - - | - | 11 802 411 | 43 420 577 | (5 000 177) | (2 135 560) | (713 594) | - | (7 849 332) | 35 571 245 |
| Assets under construction - Buildings | 9 557 930 | | - 6 163 483 | - | (11 811 640) | 3 909 773 | - | - | - | - | - | 3 909 773 |
| | **41 176 096** | | **- 6 163 483** | **-** | **(9 230)** | **47 330 349** | **(5 000 177)** | **(2 135 560)** | **(713 594)** | **-** | **(7 849 332)** | **39 481 018** |
| **Infrastructure** | | | | | | | | | | | | |
| Infrastructure - Roads | 43 838 629 | | - - | - | 6 032 359 | 49 870 988 | (14 890 814) | (5 690 981) | (2 108 804) | - | (22 690 599) | 27 180 389 |
| Assets under construction - Roads | 2 446 321 | | - 6 042 045 | - | (6 032 359) | 2 456 007 | - | - | - | - | - | 2 456 007 |
| | **46 284 950** | | **- 6 042 045** | **-** | **-** | **52 326 995** | **(14 890 814)** | **(5 690 981)** | **(2 108 804)** | **-** | **(22 690 599)** | **29 636 396** |
| **Heritage assets** | - | - | - | - | - | - | - | - | - | - | - | - |
| **Other assets** | | | | | | | | | | | | |
| Machinery and equipment | 1 947 259 | - | 19 244 | - | - | 1 966 503 | (1 138 736) | (243 775) | (1 068) | - | (1 383 579) | 582 924 |
| Motor vehicles | 1 408 871 | - | 1 000 | - | - | 1 409 871 | (855 219) | (106 011) | - | - | (961 230) | 448 641 |
| Furniture and office equipment | 1 503 672 | - | 431 161 | - | 9 230 | 1 944 063 | (793 264) | (216 719) | (938) | - | (1 010 921) | 933 141 |
| Computer equipment | 822 041 | - | 84 800 | - | - | 906 841 | (401 140) | (124 261) | - | - | (525 401) | 381 440 |
| | **5 681 843** | **-** | **536 205** | **-** | **9 230** | **6 227 278** | **(3 188 359)** | **(690 766)** | **(2 006)** | **-** | **(3 881 131)** | **2 346 147** |
| | **93 142 889** | **-** | **2 741 733** | **-** | **0** | **105 884 622** | **(23 079 350)** | **(8 517 307)** | **(2 824 404)** | **-** | **(34 421 061)** | **71 463 561** |
| **Intangible assets** | | | | | | | | | | | | |
| Computer software | 524 016 | - | - | - | - | 524 016 | (343 665) | (60 076) | - | - | (403 741) | 120 275 |
| **Total assets** | **93 666 905** | **-** | **2 741 733** | **-** | **0** | **106 408 638** | **(23 423 015)** | **(8 577 383)** | **(2 824 404)** | **-** | **(34 824 802)** | **71 583 836** |

# Appendix C: Segmental Analysis of Property, plant and equipment

| Description | Cost / Revaluation | | | | | Accumulated depreciation | | | | | Carrying Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Additions | Under Construct-ion | Transfers | Closing Balance | Opening Balance | Depreciation | Disposals | Reassess-ment | Closing Balance | |
| Executive & Council | 331 872 | 35 275 | - | - | 367 147 | 106 376 | 51 485 | - | - | 157 861 | 209 286 |
| Financial Services | 1 358 617 | 203 392 | - | - | 1 562 009 | 1 006 505 | 140 922 | - | - | 1 147 427 | 414 583 |
| Corporate Services | 10 549 779 | 836 119 | - | - | 11 385 898 | 2 361 551 | 453 598 | - | - | 2 815 149 | 8 570 749 |
| Technical Services | 93 581 179 | 8 798 046 | 5 446 127 | (976 462) | 106 848 890 | 30 946 632 | 8 203 873 | (644 008) | - | 38 506 497 | 68 342 393 |
| | **105 821 447** | **9 872 832** | **5 446 127** | **(976 462)** | **120 163 944** | **34 421 064** | **8 849 877** | **(644 008)** | **-** | **42 626 933** | **77 537 011** |

# Appendix D: Segmental Statement of Financial Performance

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Actual Revenue** | **Actual Expenditure** | **Surplus / (Deficit)** | **Actual Revenue** | **Actual Expenditure** | **Surplus / (Deficit)** |
| Executive & Council | 3 611 000 | 1 183 589 | 2 427 411 | 317 526 | 1 736 006 | (1 418 480) |
| Financial Services | 6 257 000 | 3 985 881 | 2 271 119 | 4 816 873 | 5 356 302 | (539 429) |
| Corporate Services | 24 837 177 | 19 317 203 | 5 519 974 | 30 160 208 | 21 131 918 | 9 028 290 |
| Technical Services | 19 374 964 | 13 538 998 | 5 835 966 | 12 750 854 | 8 098 949 | 4 651 905 |
| | **54 080 141** | **38 025 671** | **16 054 470** | **48 045 461** | **36 323 175** | **11 722 286** |

# Ezinqoleni Municipality

Annual Financial Statements for the year ended 30 June 2014

## Statement Of Budget Information versus Actual (Revenue And Expenditure)

| Description | Original Budget | Budget Adjustments | Final Budget | Actual Outcome | Unauthorised Expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Final Budget | Explanation of significant Variance greater than 10% versus Final Budget |
|---|---|---|---|---|---|---|---|---|---|
| **Financial Performance** | | | | | | | | | |
| Property rates | 874 000 | 2 011 000 | 2 885 000 | 2 637 701 | (247 299) | 247 299 | 91.43 % | 301.80 % | Actual amount received only during the year excluding accruals |
| Rental of Facilities | 21 000 | (13 000) | 8 000 | 5 825 | (2 175) | 2 175 | 72.81 % | 27.74 % | |
| Investment revenue | 933 000 | 272 000 | 1 205 000 | 1 860 281 | - | (655 281) | 154.38 % | 199.39 % | |
| Transfers recognised - operational | 33 654 000 | 150 000 | 33 804 000 | 48 932 425 | - | (15 128 425) | 144.75 % | 145.40 % | Accrued income and adjusted for retention amounts and accrued income |
| Other own revenue | 391 000 | (77 000) | 314 000 | 324 910 | - | (10 910) | 103.47 % | 83.10 % | |
| **Total Revenue (excluding capital transfers & contributions** | **35 873 000** | **2 343 000** | **38 216 000** | **53 761 141** | **(249 474)** | **(15 545 141)** | **140.68 %** | **149.87 %** | |
| Employee costs | 12 544 000 | (351 000) | 12 193 000 | 11 544 430 | - | 648 570 | 94.68 % | 92.03 % | Provision for leave, post medical aid benefit and long service awards provisions |
| Remuneration of councillors | 2 950 000 | 40 000 | 2 990 000 | 3 010 296 | 20 296 | (20 296) | 100.68 % | 102.04 % | |
| Debt impairment | - | - | - | - | - | - | - % | - % | |
| Depreciation and asset impairment | 3 678 000 | 5 387 000 | 9 065 000 | 9 268 823 | 203 823 | (203 823) | 102.25 % | 252.01 % | Additional depreciation and backlog depreciation determined after year by FAR consultants. |
| Finance charges | 55 000 | - | 55 000 | 48 263 | - | 6 737 | 87.75 % | 87.75 % | |
| Contracted Services | 632 000 | (30 000) | 602 000 | 393 813 | - | 208 187 | 65.42 % | 62.31 % | |
| Transfers and Grants | 1 463 000 | (150 000) | 1 313 000 | 598 813 | - | 714 187 | 45.61 % | 40.93 % | |
| Other expenditure | 12 251 000 | 1 233 000 | 13 484 000 | 13 161 233 | - | 322 767 | 97.61 % | 107.43 % | Provided for accrued expenditure |
| **Total Expenditure** | **33 573 000** | **(1 056 000)** | **39 702 000** | **38 025 671** | **224 119** | **1 676 329** | **95.78 %** | **113.26 %** | |
| Surplus/(Deficit) | 2 300 000 | 3 399 000 | (1 486 000) | 15 735 470 | - | (17 221 470) | (1 058.91)% | 684.15 % | |
| Transfers recognised - capital | 13 474 000 | 1 575 000 | 15 049 000 | 15 318 435 | (287 272) | - | - % | - % | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **%** | **-** | **%** |
| **Capital expenditure & funds sources** | | | | | | | | | | |
| Public contributions & donations | - | - | - | - | - | - | - | % | - | % |
| Borrowing | - | - | - | - | - | - | - | % | - | % |
| Internally generated funds | 3 851 000 | (791 000) | 3 060 000 | 1 258 731 | (1 801 269) | 1 801 269 | | 41.13 % | 87.42 % | 0 |
| **Total sources of capital funds** | **17 325 000** | **784 000** | **18 109 000** | **15 145 441** | **(2 963 559)** | **2 963 559** | | **83.63 %** | **87.42 %** | **0** |

# Actual versus Budget (Acquisition of Property, plant and equipment)

| | Actual | Under Construction | Total Additions | Budget | Variance | Variance % | Explanation of Significant Variances |
|---|---|---|---|---|---|---|---|
| Executive & Council | 74 189 | - | 74 189 | 60 000 | 14 189 | 23.65 % | |
| Financial Services | 20 294 | 49 687 | 69 981 | 54 000 | 15 981 | 29.59 % | Assets were classified as financial services in fixed asset register, while budget classified it as corporate services |
| Corporate Services | 61 621 | 10 110 221 | 10 171 842 | 1 754 000 | 8 417 842 | 4.80 % | Assets classified as corporate services in the fixed asset register, while where budget under Technical services. |
| Technical Services | 24 367 | 4 108 040 | 4 132 407 | 11 201 000 | (7 068 593) | (63.11)% | |
| | **180 471** | **14 267 948** | **14 448 419** | **13 069 000** | **1 379 419** | **10.55 %** | |

# Ezinqoleni Municipality

Annual Financial Statements for the year ended 30 June 2014

## Appendix F: Grants and Subsidies received

Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

| Name of Grant | Quarterly Receipts | | | | Total Receipts |
|---|---|---|---|---|---|
| | Jul to Sep | Oct to Dec | Jan to Mar | Apr to Jun | |
| Municipal Systems Improvement Grant | 890 000 | - | - | - | 890 000 |
| Municipal Infrastructure Grant (MIG) | 4 575 000 | 4 323 000 | 4 576 000 | - | 13 474 000 |
| National Lottery Grant | - | - | - | - | - |
| Financial Management Grant | 1 650 000 | - | - | - | 1 650 000 |
| Town Planning | - | - | - | - | - |
| Provincialisation of Libraries | 514 000 | - | - | - | 514 000 |
| LED Strategy | - | - | - | - | - |
| Library Grant-Cyber Cadet | - | - | 120 000 | - | 120 000 |
| Integrated National Electrification Programme | - | - | - | - | - |
| IDP Community Participation | - | - | - | - | - |
| Sport & Recreation Infrastructure Grant | - | 525 000 | 1 050 000 | - | 1 575 000 |
| Maintenance Grant | 150 000 | - | - | 150 000 | 300 000 |
| EPWP | 400 000 | - | 600 000 | - | 1 000 000 |
| | **8 179 000** | **4 848 000** | **6 346 000** | **150 000** | **19 523 000** |

| Name of Grant | Quarterly Expenditure | | | | Total Expenditure |
|---|---|---|---|---|---|
| | Jul to Sep | Oct to Dec | Jan to Mar | Apr to Jun | |
| Municipal Systems Improvement Grant | 130 741 | - | - | - | - |
| Municipal Infrastructure Grant (MIG) | 2 216 955 | 1 943 064 | 2 194 711 | 6 526 895 | 12 881 625 |
| National Lottery Grant | - | - | 36 807 | 300 000 | 336 807 |
| Financial Management Grant | 358 677 | 394 713 | 245 136 | 635 245 | 1 633 771 |
| Town Planning | 127 667 | 200 000 | - | 104 110 | 431 777 |
| Provincialisation of Libraries | 126 138 | 93 011 | 97 923 | 95 508 | 412 580 |
| LED Strategy | - | - | - | - | - |
| Library Grant-Cyber Cadet | 7 225 | - | - | - | 7 225 |
| Integrated National Electrification Programme | - | - | - | - | - |
| IDP Community Participation | - | - | - | 950 | 950 |
| Sport & Recreation Infrastructure Grant | - | 935 914 | 704 999 | 459 085 | 2 099 998 |
| Maintenance Grant | - | - | - | 66 175 | 66 175 |
| EPWP | - | 318 530 | 153 560 | 358 690 | 830 780 |
| | **2 967 403** | **4 110 490** | **3 530 739** | **8 771 643** | **19 380 275** |

# Ezinqoleni Municipality

Annual Financial Statements for the year ended 30 June 2014

## Grants and Subsidies received

Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 of 2003

| Name of Grant | Name of organ of state or municipal entity | Unspent portion 2012/2013 financial statements | Total Receipts | Total Expenditure | Overspent portion shown as Receivables | Unspent portion 2013/2014 financial statements | Grants and Subsidies delayed / withheld | Reason for delay or withholding of funds | Complied with grant conditions? | Reason for non-compliance |
|---|---|---|---|---|---|---|---|---|---|---|
| Municipal Systems Improvement Grant | Trade and Local Govt Affairs | (164 415) | 890 000 | 678 587 | - | 46 998 | No | N/A | Yes | N/A |
| Municipal Infrastructure Grant (MIG) | Trade and Local Govt Affairs | (350 057) | 13 474 000 | 12 881 625 | - | 242 318 | No | N/A | Yes | N/A |
| National Lottery Grant | National Lottery | 1 025 744 | - | 336 807 | - | 688 937 | No | N/A | Yes | N/A |
| Financial Management Grant | National Treasury | 6 580 | 1 650 000 | 1 633 771 | - | 22 809 | No | N/A | Yes | N/A |
| Town Planning | Trade and Local Govt Affairs | 440 883 | - | 431 777 | - | 9 106 | No | N/A | Yes | N/A |
| Provincialisation of Libraries | KZN Dept of Art and Culture | 4 532 | 514 000 | 412 580 | - | 105 952 | No | N/A | Yes | N/A |
| LED Strategy | COGTA | 104 722 | - | - | - | 104 722 | No | N/A | Yes | N/A |
| Library Grant-Cyber Cadet | KZN Dept of Art and Culture | 77 666 | 120 000 | 7 225 | - | 190 441 | No | N/A | Yes | N/A |
| Integrated National Electrification Programme | Dept of Mineral & Energy | - | - | - | - | - | No | N/A | Yes | N/A |
| IDP Community Participation | Trade and Local Govt Affairs | 963 | - | 950 | - | 13 | No | N/A | Yes | N/A |
| Sport & Recreation Infrastructure Grant | Dept of Sport and Recreation | 525 000 | 1 575 000 | 2 099 998 | - | 2 | No | N/A | Yes | N/A |
| Maintenance Grant | Dept of Sport and Recreation | - | 300 000 | 66 175 | - | 233 825 | No | N/A | Yes | N/A |
| EPWP | Public Works | - | 1 000 000 | 830 780 | - | 169 220 | No | No | N/A | N/A |
| | | **1 671 618** | **19 523 000** | **19 380 275** | **-** | **1 814 343** | | | | |